

**SOUTHEAST WEBSTER-GRAND  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2011 Election)**

Grant Gibbons	President	2013
Rob Scott	Vice President	2013
Todd Lundgren		2011
Sean Whalen		2011
Michelle Stapp		2013
Dave Hainzinger		2013
Dan Hansen		2011

**(After September 2011 Election)**

Grant Gibbons	President	2013
Todd Lundgren	Vice President	2015
Rob Scott		2013
Emily Clausen		2015
Michelle Stapp		2013
Dan Hansen		2015
Dave Hainzinger		2013

**School Officials**

Launi Dane	Superintendent
Karla Flickinger	District Secretary /Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- IRS Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

### Independent Auditor's Report

To the Board of Education of  
Southeast Webster-Grand Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Southeast Webster-Grand Community School District, Burnside, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Southeast Webster-Grand Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2013 on our consideration of Southeast Webster-Grand Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

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our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Webster-Grand Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 29, 2013

## **SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

Southeast Webster-Grand Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,472,279 in fiscal year 2011 to \$6,790,120 in fiscal year 2012, a 4.9% increase. General Fund expenditures decreased from \$6,253,426 in fiscal year 2011 to \$6,056,042 in fiscal year 2012, less than 3.2% decrease.
- The General Fund increased over \$734,000. Additional local taxes and severe cost containment measures were the primary factors.
- The District collected statewide sales, services and use tax during the year. These revenues were used to do various building repairs and upgrades along with starting a major heating and cooling upgrade in Burnside.
- The District achieved a 6% positive solvency ratio. This is an indicator of how financially sound the District is. 5-10% is a commonly quoted range to achieve.
- The District has a positive General Fund Unspent Authorized Budget balance; however, this has decreased from five years ago.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Southeast Webster-Grand Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Southeast Webster-Grand Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the Student Activity Fund and a multiyear comparison of revenues and expenses. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

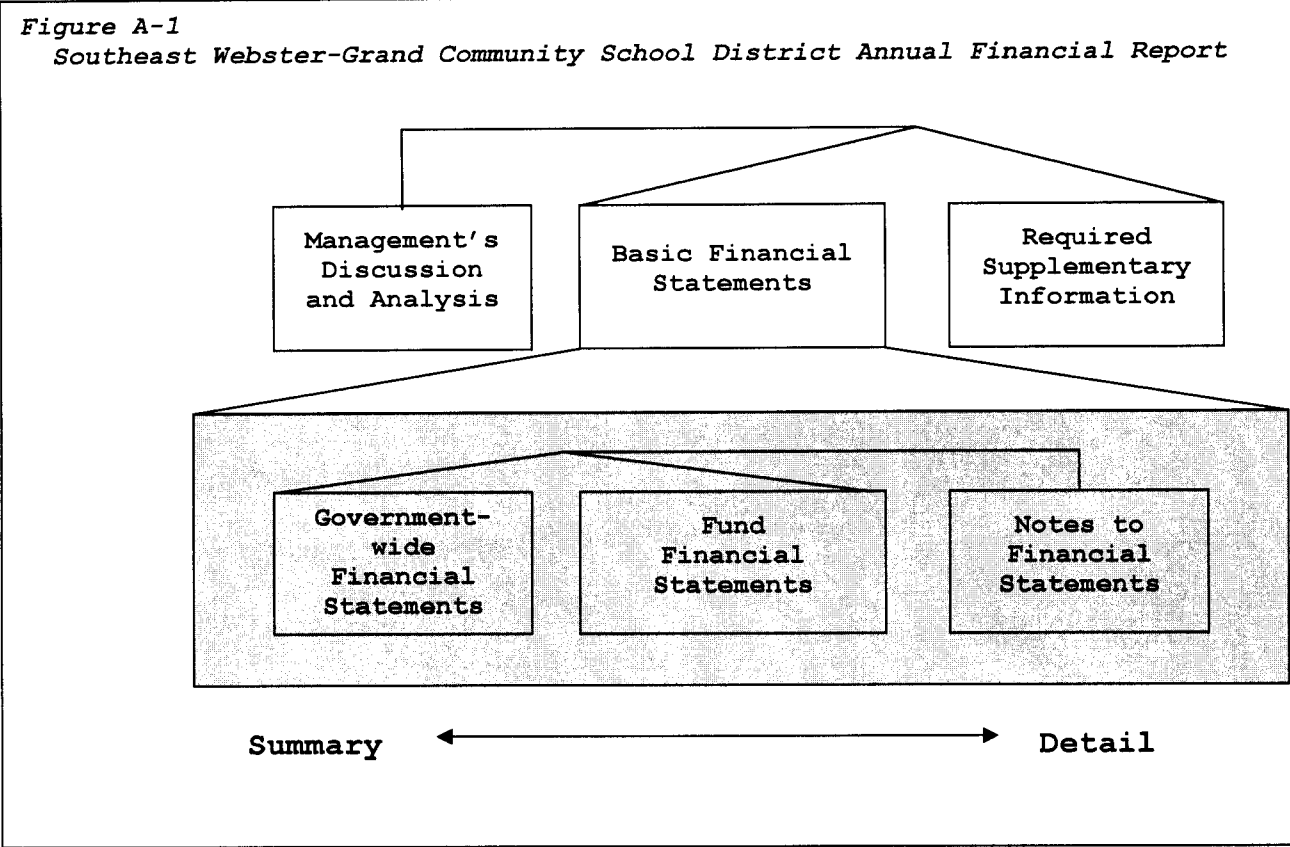


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, Eagles Nest and day care
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of revenues, expenses and changes in fund net assets</li> <li>. Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all of its funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more details and additional information, such as cash flows. The District Enterprise Funds included the School Nutrition Fund, Eagles Nest and Daycare.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current assets	\$ 4,245	4,057	15	45	4,260	4,102	3.85%
Capital assets	3,554	2,368	5	6	3,559	2,374	49.92%
Total assets	7,799	6,425	20	51	7,819	6,476	20.74%
Current liabilities	3,895	3,416	42	9	3,937	3,425	14.95%
Non-current liabilities	63	66	-	-	63	66	-4.55%
Total liabilities	3,958	3,482	42	9	4,000	3,491	14.58%
Net Assets							
Invested in capital assets, net of related debt	3,105	2,368	5	6	3,110	2,374	31.00%
Restricted	264	760	-	-	264	760	-65.26%
Unrestricted	472	(185)	(27)	36	445	(149)	398.66%
Total net assets	\$ 3,841	2,943	(22)	42	3,819	2,985	27.94%

The largest portion of the District's net assets is invested in capital assets.

Unrestricted net assets are primarily in the General Fund. The District's financial solvency grew to a positive 6% after several years of being negative. A 5% - 10% solvency ratio is most commonly used as a goal. The unrestricted balance increased by \$592,000 primarily due to a third year in a row of virtually no increases in expenses.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2012	2011	2012	2011	2012	2011	2011-2012	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 500	367	260	231	760	598	27.09%
Operating grants, contributions and restricted interest	1,434	1,539	164	184	1,598	1,723	-7.25%
General revenues:							
Property tax	2,969	2,808	-	-	2,969	2,808	5.73%
Income surtax	135	128	-	-	135	128	5.47%
Statewide sales, services and use tax	454	429	-	-	454	429	5.83%
Unrestricted state grants	2,109	1,964	-	-	2,109	1,964	7.38%
Unrestricted investment earnings	11	1	-	-	11	1	1000.00%
Other	71	103	-	-	71	103	-31.07%
Total revenues	7,683	7,339	424	415	8,107	7,754	4.55%
Program expenses:							
Governmental activities:							
Instruction	4,259	4,392	-	-	4,259	4,392	-3.03%
Support Services	1,518	1,756	-	-	1,518	1,756	-13.55%
Non-instructional programs	-	-	488	414	488	414	17.87%
Other expenses	1,008	665	-	-	1,008	665	51.58%
Total expenses	6,785	6,813	488	414	7,273	7,227	0.64%
Change in net assets	\$ 898	526	(64)	1	834	527	58.25%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 79% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$7,683,328 and expenses were \$6,784,938 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

**Figure A-5**

**Total and Net Cost of Governmental Activities  
(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 4,259	4,392	-3.03%	2,645	2,746	-3.68%
Support services	1,518	1,756	-13.55%	1,410	1,736	-18.78%
Other expenses	1,008	665	51.58%	276	426	-35.21%
Totals	<u>\$ 6,785</u>	<u>6,813</u>	<u>-0.41%</u>	<u>4,331</u>	<u>4,908</u>	<u>-11.76%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$499,448. The District shared administrative personnel with Prairie Valley in FY12.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,434,107.
- The net cost of governmental activities was financed with \$2,968,942 in property and \$2,108,994 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$423,985 and expenses totaled \$487,956. The District's business type activities include the School Nutrition, Eagles Nest and Day Care Funds. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

The Nutrition Fund decreased by \$72,065 from the prior year, main reason being a \$35,000 increase in food cost. The District has increased the cost of lunches the maximum amount and is watching the cost of meals closely. The District's Daycare operation showed an increase of \$6,201 for the year. The District's Eagles Nest Fund showed a profit of \$1,593. The Eagles Nest is going to have a closeout sale and be discontinued by the end of fiscal year 2013.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Southeast Webster-Grand Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$222,294, a \$296,000 decrease from the beginning balance of \$518,356. This was primarily a result of funds being spent on infrastructure projects that will be paid for with debt proceeds to be received in FY2013.

## Governmental Fund Highlights

- The District's increased General Fund financial position is the result of two primary factors severe cost containment measures and increased property taxes.
- The Physical Plant and Equipment Levy decreased slightly. This fund was used for improvements to facilities.
- The Capital Projects fund decreased over \$1,062,000 in the fiscal year ending June 30, 2012. The funds were used for the heating and cooling projects.

## Proprietary Fund Highlights

The School Nutrition Fund balance decreased its position during the fiscal year ending June 30, 2012. The Daycare Fund balance has increased by over \$6,200. Eagles Nest showed a profit of almost \$1,600.

## BUDGETARY HIGHLIGHTS

The District's receipts were \$65,583 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving 8% less in state funding than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Expenditures did exceed the amended amount budgeted in the other expenditures function, however, the budget as a whole was not exceeded. The District did not exceed its unspent authorized budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$3.5 million net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$177,630

The original cost of the District's capital assets was \$7,179,242. Governmental funds account for \$7,094,155, with the remainder of \$85,087 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 9	9	-	-	9	9	0.00%
Construction in progress	1,228	-	-	-	1,228	-	100.00%
Site improvements	344	368	-	-	344	368	-6.52%
Buildings	1,662	1,700	-	-	1,662	1,700	-2.24%
Furniture and equipment	311	291	5	6	316	297	6.40%
Totals	<u>\$ 3,554</u>	<u>2,368</u>	<u>5</u>	<u>6</u>	<u>3,559</u>	<u>2,374</u>	<u>49.92%</u>

### **Long-Term Debt**

The only long term debts remaining are early retirement payments and retiree health insurance benefits. Both are fully described in the notes to the financial statements.

The District is selling \$2,125,000 of revenue bonds in July 2012 to complete infrastructure projects.

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Declining enrollment and the effects of the removal of the 100% budget guarantee will require due diligence on the part of the administration and board of education.
- The District has begun sharing in several areas in order to contain costs without reducing programs.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karla Flickinger, Business Manager, Southeast Webster-Grand Community School District, 30850 Paragon Avenue, Burnside, IA 50521.

## **Basic Financial Statements**

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,272,068	17,187	1,289,255
Receivables:			
Property tax:			
Current year	39,103	-	39,103
Succeeding year	2,527,566	-	2,527,566
Income surtax	128,330	-	128,330
Due from other governments	121,038	-	121,038
Other receivables	138,595	676	139,271
Interfund receivables/payables	18,647	(18,647)	-
Inventory	-	16,311	16,311
Capital assets, net of accumulated depreciation	3,554,149	4,521	3,558,670
<b>Total assets</b>	<u>7,799,496</u>	<u>20,048</u>	<u>7,819,544</u>
<b>Liabilities</b>			
Accounts payable	837,358	-	837,358
Accrued payroll	526,143	41,940	568,083
Deferred revenue:			
Succeeding year property tax	2,527,566	-	2,527,566
Federal programs	3,656	-	3,656
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	16,867	-	16,867
Portion due after one year:			
Early retirement payable	31,150	-	31,150
Net OPEB liability	15,460	-	15,460
<b>Total liabilities</b>	<u>3,958,200</u>	<u>41,940</u>	<u>4,000,140</u>
<b>Net assets</b>			
Invested in capital assets	3,105,586	4,521	3,110,107
Restricted for:			
Categorical funding	149,790	-	149,790
Student activities	9,102	-	9,102
Management levy	76,272	-	76,272
Physical plant and equipment levy	28,148	-	28,148
Unrestricted	472,398	(26,413)	445,985
<b>Total net assets</b>	<u>\$ 3,841,296</u>	<u>(21,892)</u>	<u>3,819,404</u>

See notes to financial statements.



## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Goods and Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>					
Governmental activities:					
Instruction	\$ 4,259,263	391,682	1,222,603	(2,644,978)	(2,644,978)
Support services:					
Student	28,038	-	-	(28,038)	(28,038)
Instructional staff	145,035	-	-	(145,035)	(145,035)
Administration	619,713	107,766	-	(511,947)	(511,947)
Operation and maintenance of plant	254,549	-	214	(254,335)	(254,335)
Transportation	470,872	-	-	(470,872)	(470,872)
	<u>1,518,207</u>	<u>107,766</u>	<u>214</u>	<u>(1,410,227)</u>	<u>(1,410,227)</u>
Other expenses:					
AEA flowthrough	209,787	-	209,787	-	-
Facilities acquisition and construction	621,737	-	1,503	(620,234)	(620,234)
Depreciation (unallocated)	175,944	-	-	(175,944)	(175,944)
	<u>1,007,468</u>	<u>-</u>	<u>211,290</u>	<u>(796,178)</u>	<u>(796,178)</u>
Total governmental activities	<u>6,784,938</u>	<u>499,448</u>	<u>1,434,107</u>	<u>(4,851,383)</u>	<u>(4,851,383)</u>

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Goods and Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Business type activities:					Total
Non-instructional programs:					
Nutrition services	366,885	131,216	163,904	-	(71,765)
Other enterprise operations	121,071	128,565	-	-	7,494
	487,956	259,781	163,904	-	(64,271)
Total	\$ 7,272,894	759,229	1,598,011	(4,851,383)	(4,915,654)
General Revenues:					
Property tax levied for:					
General purposes				\$ 2,647,267	2,647,267
Management				149,248	149,248
Capital outlay				172,427	172,427
Statewide sales, services and use tax				454,275	454,275
Income surtax				135,077	135,077
Unrestricted state grants				2,108,994	2,108,994
Unrestricted investment earnings				11,229	11,229
Other				71,256	71,256
Total general revenues				5,749,773	5,749,773
Change in net assets				898,390	(64,271)
Net assets beginning of year				2,942,906	42,379
Net assets end of year				\$ 3,841,296	(21,892)
					3,819,404

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2012

	General	Special Revenue		Capital Projects		
		Student Activity	Management Levy	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Total
	\$ 1,143,918	9,102	79,159	12,775	27,114	1,272,068
	36,047	-	2,032	-	1,024	39,103
	2,122,398	-	249,999	-	155,169	2,527,566
	128,330	-	-	-	-	128,330
	40,597	-	-	80,441	-	121,038
	18,647	-	-	-	-	18,647
	129,763	-	-	8,822	10	138,595
	\$ 3,619,700	9,102	331,190	102,038	183,317	4,245,347

**Assets**

Cash and pooled investments  
 Receivables:  
   Property tax:  
     Current year  
     Succeeding year  
   Income surtax  
   Due from other governments  
   Interfund receivable  
   Other receivables

**Total assets**

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue			Capital Projects		
	General	Student Activity	Management Levy	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Total
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 281,838	-	4,919	550,601	-	837,358
Accrued payroll	526,143	-	-	-	-	526,143
Deferred revenue:						
Succeeding year property tax	2,122,398	-	249,999	-	155,169	2,527,566
Succeeding year income surtax	128,330	-	-	-	-	128,330
Federal programs	3,656	-	-	-	-	3,656
Total liabilities	3,062,365	-	254,918	550,601	155,169	4,023,053
Fund balances:						
Restricted for:						
Categorical funding	149,790	-	-	-	-	149,790
Student activities	-	9,102	-	-	-	9,102
Management levy	-	-	76,272	-	-	76,272
School infrastructure	-	-	-	(448,563)	-	(448,563)
Physical plant and equipment levy	-	-	-	-	28,148	28,148
Unassigned	407,545	-	-	-	-	407,545
Total fund balances	557,335	9,102	76,272	(448,563)	28,148	222,294
<b>Total liabilities and fund balances</b>	<b>\$ 3,619,700</b>	<b>9,102</b>	<b>331,190</b>	<b>102,038</b>	<b>183,317</b>	<b>4,245,347</b>

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2012

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 222,294
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***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Income surtax receivable at June 30, 2012 is not recognized as a revenue until received in the governmental funds, however it is shown as a revenue in the Statement of Activities in the year of levy, thus no deferred revenue is shown in the Statement of Net Assets	128,330
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,554,149
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Long-term liabilities, including other postemployment benefits and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(63,477)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 3,841,296</u></u>
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## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2012

	Special Revenue			Capital Projects		
	General	Student Activity	Management Levy	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:						
Local sources:						
Local tax	\$ 2,776,878	-	149,248	454,275	172,427	3,552,828
Tuition	391,682	-	-	-	-	391,682
Other	216,206	99,575	-	1,503	31	317,315
State sources	2,914,406	-	85	-	98	2,914,589
Federal sources	490,948	-	-	-	-	490,948
Total revenues	6,790,120	99,575	149,333	455,778	172,556	7,667,362
Expenditures:						
Current:						
Instruction	4,194,612	94,266	81,207	-	-	4,370,085
Support services:						
Student	28,038	-	-	-	-	28,038
Instructional staff	145,035	-	-	-	-	145,035
Administration	615,561	-	4,152	-	-	619,713
Operation and maintenance of plant	401,615	-	25,412	-	27,522	454,549
Transportation	461,414	-	9,458	-	-	470,872
	1,651,663	-	39,022	-	27,522	1,718,207

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2012

	Special Revenue			Capital Projects		
	General	Student Activity	Management Levy	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy	Total
Expenditures (continued):						
Other expenditures:						
AEA flowthrough	209,787	-	-	-	-	209,787
Facility acquisition and construction	-	-	-	1,518,505	157,340	1,675,845
	<u>209,787</u>	<u>-</u>	<u>-</u>	<u>1,518,505</u>	<u>157,340</u>	<u>1,885,632</u>
Total expenditures	<u>6,056,062</u>	<u>94,266</u>	<u>120,229</u>	<u>1,518,505</u>	<u>184,862</u>	<u>7,973,924</u>
Excess (deficiency) of revenues over (under) expenditures	734,058	5,309	29,104	(1,062,727)	(12,306)	(306,562)
Other financing sources (uses):						
Sale of property	-	-	-	-	10,500	10,500
Net change in fund balances	734,058	5,309	29,104	(1,062,727)	(1,806)	(296,062)
Fund balances beginning of year	<u>(176,723)</u>	<u>3,793</u>	<u>47,168</u>	<u>614,164</u>	<u>29,954</u>	<u>518,356</u>
Fund balances end of year	\$ 557,335	9,102	76,272	(448,563)	28,148	222,294

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2012

<b>Net change in fund balances - total governmental funds (Exhibit E)</b>	\$ (296,062)
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**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change in income surtax receivable from the prior fiscal year.	5,466
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 1,361,848	
Depreciation expense	<u>(175,944)</u>	1,185,904

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	8,317	
Other postemployment benefits	<u>(5,235)</u>	<u>3,082</u>

<b>Change in net assets of governmental activities (Exhibit B)</b>	<u><u>\$ 898,390</u></u>
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## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2012

	<u>School Nutrition</u>	<u>Eagles Nest</u>	<u>Day Care</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 12,220	-	4,967	17,187
Other receivables	676	-	-	676
Inventories	3,869	12,442	-	16,311
Capital assets, net of accumulated depreciation	4,521	-	-	4,521
<b>Total assets</b>	<u>21,286</u>	<u>12,442</u>	<u>4,967</u>	<u>38,695</u>
<b>Liabilities</b>				
Accrued payroll and benefits	33,563	-	8,377	41,940
Interfund payable	-	18,647	-	18,647
	<u>33,563</u>	<u>18,647</u>	<u>8,377</u>	<u>60,587</u>
<b>Net assets</b>				
Invested in capital assets	4,521	-	-	4,521
Unrestricted	(16,798)	(6,205)	(3,410)	(26,413)
<b>Total net assets</b>	<u>\$ (12,277)</u>	<u>\$ (6,205)</u>	<u>(3,410)</u>	<u>(21,892)</u>

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>Eagles Nest</u>	<u>Daycare</u>	<u>Total</u>
Operating revenue:				
Local sources:				
Charges for goods and services	\$ 131,216	18,051	110,514	259,781
Operating expenses:				
Non-instructional programs:				
Food service operations:				
Salaries	87,935	-	-	87,935
Benefits	19,774	-	-	19,774
Services	630	-	-	630
Supplies	256,860	-	-	256,860
Depreciation	1,686	-	-	1,686
	<u>366,885</u>	<u>-</u>	<u>-</u>	<u>366,885</u>
Other enterprise operations:				
Salaries	-	234	86,929	87,163
Benefits	-	18	12,760	12,778
Services	-	-	-	-
Supplies	-	16,206	4,924	21,130
	<u>-</u>	<u>16,458</u>	<u>104,613</u>	<u>121,071</u>
Total operating expenses	<u>366,885</u>	<u>16,458</u>	<u>104,613</u>	<u>487,956</u>
Operating profit (loss)	<u>(235,669)</u>	<u>1,593</u>	<u>5,901</u>	<u>(228,175)</u>
Non-operating revenues:				
Local sources	47	-	300	347
State sources	2,948	-	-	2,948
Federal sources	160,609	-	-	160,609
	<u>163,604</u>	<u>-</u>	<u>300</u>	<u>163,904</u>
Change in fund net assets	(72,065)	1,593	6,201	(64,271)
Net assets beginning of year	<u>59,788</u>	<u>(7,798)</u>	<u>(9,611)</u>	<u>42,379</u>
Net assets end of year	<u>\$ (12,277)</u>	<u>(6,205)</u>	<u>(3,410)</u>	<u>(21,892)</u>

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2012

	School Nutrition	Eagles Nest	Daycare	Total
Cash flows from operating activities:				
Cash received from sale of inventory	\$ -	18,051	-	18,051
Cash received from sale of services	139,577	-	110,967	250,544
Cash payments to employees for services	(107,709)	(252)	(99,689)	(207,650)
Cash payments to suppliers for goods or services	(219,303)	(15,187)	3,453	(231,037)
Net cash provided by (used in) operating activities	(187,435)	2,612	14,731	(170,092)
Cash flows from non-capital financing activities:				
Contributions	-	-	300	300
State grants received	2,948	-	-	2,948
Federal grants received	145,774	-	-	145,774
Net cash provided by non-capital financing activities	148,722	-	300	149,022
Cash flows from capital financing activities:				
Interfund payable (from) General Fund	-	(5,557)	(10,064)	(15,621)
Cash flows from investing activities:				
Interest on investments	47	-	-	47
Net increase (decrease) in cash and cash equivalents	(38,666)	(2,945)	4,967	(36,644)
Cash and cash equivalents beginning of year	50,886	2,945	-	50,886
Cash and cash equivalents end of year	\$ 12,220	-	4,967	14,242
<b>Reconciliation of operating (loss) to net cash provided by (used by) operating activities:</b>				
Operating profit (loss)	\$ (235,669)	1,593	5,901	(228,175)
Adjustments to reconcile operating profit (loss) to net cash (used by) operating activities:				
Depreciation	1,686	-	-	1,686
Commodities used	14,835	-	-	14,835
Decrease in other receivables	8,361	-	453	8,814
Decrease (Increase) in inventory	(923)	1,019	-	96
Increase in accounts payable	24,275	-	8,377	32,652
	\$ (187,435)	2,612	14,731	(170,092)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received federal commodities valued at \$14,835.

See notes to financial statements.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2012

#### (1) Summary of Significant Accounting Policies

Southeast Webster-Grand Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Boxholm, Pilot Mound, Burnside, Harcourt, Lehigh, and Dayton, Iowa, and agricultural area in Webster and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Southeast Webster-Grand Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Southeast Webster-Grand Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster and Boone County Assessor's Conference Boards.

##### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Capital Projects Fund, Physical Plant and Equipment Levy is utilized to account for the maintenance and equipping of the District's facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Enterprise, School Nutrition, Eagles Nest and Daycare Funds. These funds are used to account for the food service, student run business and daycare operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for current payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Intangible costs	50,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables, income surtax and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal grant proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2012.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosure is reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amended amount budgeted in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2012.



### (3) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,000	-	-	9,000
Construction in progress	-	1,227,572	-	1,227,572
	<u>9,000</u>	<u>1,227,572</u>	<u>-</u>	<u>1,236,572</u>
Capital assets being depreciated:				
Site Improvements	709,980	-	-	709,980
Buildings	3,326,981	26,536	-	3,353,517
Furniture and Equipment	1,686,346	107,740	-	1,794,086
Total capital assets being depreciated	<u>5,723,307</u>	<u>134,276</u>	<u>-</u>	<u>5,857,583</u>
Less accumulated depreciation for:				
Site Improvements	342,286	23,703	-	365,989
Buildings	1,626,729	64,403	-	1,691,132
Furniture and Equipment	1,395,047	87,838	-	1,482,885
Total accumulated depreciation	<u>3,364,062</u>	<u>175,944</u>	<u>-</u>	<u>3,540,006</u>
Total capital assets being depreciated, net	<u>2,359,245</u>	<u>(41,668)</u>	<u>-</u>	<u>2,317,577</u>
Governmental activities, capital assets, net	<u>\$ 2,368,245</u>	<u>1,185,904</u>	<u>-</u>	<u>3,554,149</u>
Business type activities:				
Furniture and equipment	\$ 85,087	-	-	85,087
Less accumulated depreciation	78,880	1,686	-	80,566
Business type activities capital assets, net	<u>\$ 6,207</u>	<u>(1,686)</u>	<u>-</u>	<u>4,521</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated \$ 175,944

Business Type activities

Food service operations \$ 1,686

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$284,899, \$244,723, and \$254,140 respectively, equal to the required contributions for each year.

**(5) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$209,787 for year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(6) Long Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Net OPEB Liability	\$10,225	5,235	-	15,460	-
Early Retirement	<u>56,334</u>	<u>14,950</u>	<u>23,267</u>	<u>48,017</u>	<u>16,867</u>
Total	<u>\$66,559</u>	<u>20,185</u>	<u>23,267</u>	<u>63,477</u>	<u>16,867</u>

**(7) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Early Retirement**

Early retirement benefits were available to certified employees who are 55 years old by June 30, 2010 and had 15 years of continued experience with Southeast Webster-Grand Community School District (including its predecessor districts). The District has discontinued the Early Retirement plan beginning in FY2011. There are no definite plans as to possible reinstatement. Benefits totaling \$23,267 were paid in fiscal year 2012.

**(9) Financial Condition**

The Daycare and Eagles Nest (both enterprise funds) had deficits of \$3,410 and \$6,205, respectively, at June 30, 2012. The School Nutrition Fund had a deficit fund balance of \$12,277 at June 30, 2012.

The Iowa Department of Education has taken the position that Enterprise Funds (other than School Nutrition) are not allowed to be supported by General Fund monies. As both of these funds share a checking account with the General Fund it appears as if both funds should be returned to profitability or closed without causing a loss on the part of the General Fund.

At June 30, 2012, the District's Statewide Sales, Services and Use Tax had a deficit balance of \$448,563. As noted in Note 11, the District completed the sale of revenue bonds in July, 2012 to cover these costs in a timely manner.

**(10) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 76 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 68,000
Interest on net OPEB obligation	235
Annual OPEB cost	68,235
Contributions made	(63,000)
Increase in net OPEB obligation	5,235
Net OPEB obligation beginning of year	10,225
Net OPEB obligation end of year	\$ 15,460

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$63,000 to the medical plan.

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$68,000	92.6%	\$ 5,000
June 30, 2011	68,225	92.3	10,225
June 30, 2012	68,235	92.3	15,460

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$621,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$621,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,601,000 and the ratio of the UAAL to covered payroll was 17.2%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information, in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement probabilities from the GASB 45 Table 1 Paragraph 35(b) as of June 30, 2007 and applying the termination factors used in the GASB 45 Table 1 Paragraph 35(b) as of June 30, 2008.

Projected claim costs of the medical plan are \$1,080 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(11) Commitment**

The District approved issuance of \$2,125,000 of revenue bonds to complete the heating and cooling project as shown below (June 30, 2012 figures).

Contract issued to date	\$1,828,955
Completed	1,227,572
Paid	722,988
Retainage	51,569
Payable	468,582
To be completed	601,383

## Required Supplementary Information

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 4,261,825	260,128	4,521,953	4,510,094	4,510,094	11,859
State sources	2,914,589	2,948	2,917,537	3,157,536	3,157,536	(239,999)
Federal sources	490,948	160,609	651,557	489,000	489,000	162,557
Total revenues	<u>7,667,362</u>	<u>423,685</u>	<u>8,091,047</u>	<u>8,156,630</u>	<u>8,156,630</u>	<u>(65,583)</u>
<b>Expenditures/Expenses:</b>						
Instruction	4,370,085	-	4,370,085	4,848,431	4,848,431	478,346
Support services	1,718,207	-	1,718,207	2,321,600	2,321,600	603,393
Non-instructional programs	-	487,956	487,956	410,000	550,000	62,044
Other expenditures	<u>1,885,632</u>	<u>-</u>	<u>1,885,632</u>	<u>563,388</u>	<u>1,000,000</u>	<u>(885,632)</u>
Total expenditures/expenses	<u>7,973,924</u>	<u>487,956</u>	<u>8,461,880</u>	<u>8,143,419</u>	<u>8,720,031</u>	<u>258,151</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(306,562)	(64,271)	(370,833)	13,211	(563,401)	192,568
Other financing sources (uses)	<u>10,500</u>	<u>-</u>	<u>10,500</u>	<u>-</u>	<u>-</u>	<u>10,500</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(296,062)	(64,271)	(360,333)	13,211	(563,401)	203,068
Balance beginning of year	<u>518,356</u>	<u>42,379</u>	<u>560,735</u>	<u>74,947</u>	<u>74,947</u>	<u>485,788</u>
Balance end of year	<u>\$ 222,294</u>	<u>(21,892)</u>	<u>200,402</u>	<u>88,158</u>	<u>(488,454)</u>	<u>688,856</u>

See accompanying independent auditor's report.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District amended its budget once in May 2012. Total expenditures budget was increased by \$576,612.

During the year ended June 30, 2012, expenditures exceeded the amended amount budgeted in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	\$621	\$621	0.0%	\$3,987	15.6%
2011	July 1, 2009	\$0	\$621	\$621	0.0%	\$3,682	16.9%
2012	Juyl 1, 2009	\$0	\$621	\$621	0.0%	\$3,601	17.2%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.



## **Supplementary Information**

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
All HS Athletics	\$ 5,750	15,806	21,349	207
HS Uniforms	(936)	3,213	2,212	65
HS Football	3,976	9,467	7,515	5,928
HS Basketball	4,905	7,537	7,090	5,352
HS Track	(510)	5,082	4,572	-
HS Golf	(3,454)	4,200	815	(69)
HS Baseball/Softball	(16,857)	8,755	8,606	(16,708)
HS Volleyball	(3,627)	5,928	2,433	(132)
HS Wrestling	3,988	6,955	6,311	4,632
Class of 2011	327	-	-	327
Class of 2014	-	-	200	(200)
Class of 2015	161	-	161	-
Class of 2016	132	-	132	-
Class of 2012	1,304	3,582	4,869	17
Class of 2013	(250)	7,850	7,118	482
All JH Athletics	4,709	-	4,709	-
JH Football	(498)	562	64	-
JH Volleyball	(524)	524	-	-
JH Basketball	(2,390)	2,977	1,600	(1,013)
JH Track	(172)	967	576	219
JH Baseball/Softball	(3,878)	-	459	(4,337)
Pictures	1,338	-	-	1,338
Project Graduation	989	4,903	5,067	825
RIF	(234)	25	-	(209)
HS Activities	40	-	-	40
JH Band Club	2,626	3,584	3,678	2,532
HS Band Club	1,401	3,229	2,897	1,733
Speech Club	(2,192)	375	615	(2,432)
JH Vocal Club	125	69	-	194
SH Vocal Club	815	1,171	1,294	692
HS Music Trip	-	4,395	2,675	1,720
National Honor Society	159	937	663	433
DECA	(1,250)	700	909	(1,459)
Operation Angel Tree	1,823	4,616	4,098	2,341
Industrial Tech Club	(445)	-	-	(445)
HS Cheerleading	2,853	7,637	8,581	1,909
Youth Softball	590	-	-	590
FCA	181	-	-	181
JH Student Council	1,444	3,425	2,293	2,576
SH Student Council	1,374	1,942	1,543	1,773
	3,793	120,413	115,104	9,102
Less interaccount transfers		(20,838)	(20,838)	
Totals	3,793	99,575	94,266	9,102

See accompanying independent auditor's report.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>									
Local sources:									
Local tax	\$3,552,828	3,365,628	3,068,583	2,833,006	2,401,462	2,264,305	2,071,352	2,276,340	2,506,074
Tuition	391,682	366,471	331,981	374,769	314,084	357,758	295,199	349,057	329,713
Other	317,315	265,348	225,119	254,428	198,008	326,633	248,001	297,772	257,038
State sources	2,914,589	2,813,745	2,591,058	3,202,679	3,234,267	3,082,963	3,062,893	2,790,789	2,521,027
Federal sources	490,948	527,975	652,939	255,533	373,368	303,399	510,867	523,768	358,727
Total	\$7,667,362	7,339,167	6,869,680	6,920,415	6,521,189	6,335,058	6,188,312	6,237,726	5,972,579
<b>Expenditures:</b>									
Instruction	\$4,370,085	4,582,668	4,590,477	4,496,567	4,446,653	4,359,746	3,995,352	4,242,339	3,842,727
Support services:									
Student	28,038	24,997	17,894	9,843	6,128	26,630	36,981	88,129	145,060
Instructional staff	145,035	237,992	182,197	197,949	177,817	209,938	164,999	104,281	174,804
Administration	619,713	549,939	595,997	687,679	658,098	626,222	613,337	666,232	565,437
Operation and maintenance of plant	454,549	490,502	453,286	431,916	518,133	546,018	604,802	473,992	411,633
Transportation	470,872	523,949	557,572	504,576	499,637	475,786	398,041	384,079	290,548
Non-instructional programs									
Food service operations	-	-	-	-	-	-	-	3,266	-
Community service operations	-	-	-	26,415	5,597	6,970	2,593	5,644	5,053
Other expenditures:									
Facilities acquisition	1,675,845	260,835	287,871	286,563	135,987	485,837	151,967	102,250	50,283
Debt Service:									
Principal	-	-	160,000	80,000	500,000	215,000	130,000	175,000	170,000
Interest and service charges	-	-	4,217	8,768	37,630	44,098	41,928	52,093	61,225
AEA flowthrough	209,787	235,946	233,982	215,899	211,810	201,135	193,945	194,187	196,318
Total	\$7,973,924	6,906,828	7,083,493	6,946,175	7,197,490	7,197,380	6,333,945	6,491,492	5,913,088

See accompanying independent auditor's report.

## SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	\$ 34,513
Summer Food Service Program for Children	10.559	FY12	5,528
National School Lunch Program	10.555	FY12	120,568
			<u>160,609</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY12	86,129
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY12	61,693
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY12	106,369
Education Jobs Fund	84.410	FY12	74,382
Grants for Assessments and Related Activities	84.369	FY12	6,323
Rural Education Achievement Program	84.358	FY12	27,859
Improving Teacher Quality States Grants	84.367	FY12	28,979
Vocational Education - Basic Grants to States	84.048	FY12	54,077
Area Education Agency 8:			
Special Education - Grants to States (IDEA Part B)	84.027	FY12	<u>28,441</u>
Total			<u>\$ 634,861</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Southeast Webster-Grand Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- IRS Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Southeast Webster-Grand Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Southeast Webster-Grand Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

The management of Southeast Webster-Grand Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southeast Webster-Grand Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Webster-Grand Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no items which we consider to be significant deficiencies.

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## Compliance and Other Matters

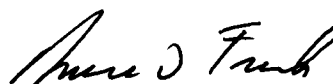
As part of obtaining reasonable assurance about whether Southeast Webster-Grand Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southeast Webster-Grand Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Southeast Webster-Grand Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Webster-Grand Community School District and other parties to whom Southeast Webster-Grand Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Webster-Grand Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK  
Certified Public Accountant

March 29, 2013

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants
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- Individual, Partnership and Corporate Tax Preparation
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- Bank Loan Assistance

## Plus:

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## Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Southeast Webster-Grand Community School District:

### Compliance

We have audited the Southeast Webster-Grand Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Southeast Webster-Grand Community School District's major federal programs for the year ended June 30, 2012. Southeast Webster-Grand Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Southeast Webster-Grand Community School District's management. Our responsibility is to express an opinion on Southeast Webster-Grand Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeast Webster-Grand Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southeast Webster-Grand Community School District's compliance with those requirements.

In our opinion, Southeast Webster-Grand Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control over Compliance

The management of Southeast Webster-Grand Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Southeast Webster-Grand Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the

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effectiveness of Southeast Webster-Grand Community School District's internal control over compliance. Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

Southeast Webster-Grand Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Southeast Webster-Grand Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Webster-Grand Community School District and other parties to whom Southeast Webster-Grand Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 29, 2013

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
  - (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
  - (c) The audit did not disclose any noncompliance which is material to the financial statements.
  - (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
  - (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
  - (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
  - (g) Major programs were as follows:
    - CFDA Number 84.410 - Education Jobs Fund
    - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
- Child Nutrition Cluster:
- CFDA Number 10.553 - School Breakfast Program
  - CFDA Number 10.555 - National School Lunch Program (including noncash commodities)
  - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
  - (i) Southeast Webster-Grand Community School District did not qualify as a low-risk auditee.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate possible alternatives to this situation.

Conclusion - Response accepted.

II-B-12 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**  
**(continued)**

II-C-12 Financial Reporting

Comment - During the audit, we identified material amounts of payables in the Capital Projects Fund which were not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation - The District should implement procedures to ensure all payables are identified and included in the District's financial statements.

Response - We will double check these in the future to avoid missing any payables.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 84.410: Education Jobs Fund  
Federal Award Year: 2012  
U.S. Department of Education  
Passed through Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act  
Federal Award Year: 2012  
U.S. Department of Education  
Passed through Iowa Department of Education

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program (including noncash commodities)  
CFDA Number 10.559: Summer Food Service Program for Children  
Federal Award Year: 2012  
US Department of Agriculture  
Passed through Iowa Department of Education

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part III: Findings and Questioned Costs For Federal Awards:**  
(continued)

III-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate possible alternatives to this situation.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-12 Certified Budget - During the year ended June 30, 2012, expenditures exceeded the amended amount budgeted in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-12 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

IV-D-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
K and D Land Improvement Board member	Snow removal and grounds maintenance	\$33,188

In accordance with Chapter 279.7A of the Code of Iowa \$21,003 of these transactions do not appear to be violations as they were properly bid. However, \$12,155 of these transactions were not bid as required by the Code of Iowa and exceed the \$2,500 allowed annually.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

IV-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-12 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-H-12 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form of October 2011 was understated. The District's certified enrollment count excluded a student on row 1 with a weighting of .75. This resulted in understating the total actual enrollment at row 7 by .75 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IV-I-12 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-12 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.

IV-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**SOUTHEAST WEBSTER-GRAND COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

- IV-L-12 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 614,164
Revenues/transfers in:		
Sales tax revenues	\$454,275	
Other local revenues	<u>1,503</u>	<u>455,778</u>
		1,069,942
Expenditures/transfers out:		
School infrastructure construction		<u>1,518,505</u>
Ending balance		\$ <u>448,563</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-12 Deficit Balance - Several student activity accounts had deficit balances at June 30, 2012. The Eagle Nest (Enterprise Fund) had a deficit of \$6,205 and Day Care (Enterprise Fund) of \$3,410. The School Nutrition Fund had a deficit fund balance of \$12,277 at June 30, 2012. The Districts Statewide Sales, Services and Use Tax had a deficit balance of \$448,563.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

The Iowa Department of Education has taken the position that Enterprise Funds (other than School Nutrition) are not allowed to be supported by General Fund monies. As both of these funds share a checking account with the General Fund it appears as if both funds should be returned to profitability or closed without causing a loss on the part of the General Fund.

The Capital Project deficit is being covered by the sale of revenue bonds in July 2012.

Response - The District is continuing to investigate alternatives to eliminate deficits in all of these funds at the end of the fiscal year. The Eagles Nest has been discontinued and the Day Care and School Nutrition Funds are expected to be in a positive financial position in FY13. The Capital Projects Fund issue was anticipated and measures were taken to ensure timely payment.

Conclusion - Response accepted.